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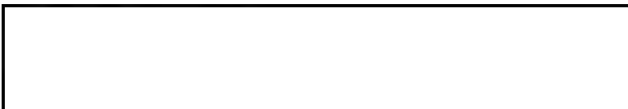
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Vietnam:

North Vietnam: Hanoi appears to have given a more positive indication of its willingness to talk with the US in return for a cessation of war acts against North Vietnam.

In a statement on 30 December, Foreign Minister Nguyen Duy Trinh declared that his government "will" hold talks with Washington "about questions concerned" if the US unconditionally terminates the bombing and all other "acts of war" against North Vietnam. His remarks were transmitted in an authoritative Hanoi English-language broadcast on 1 January. Hanoi's previous position had been based on Trinh's statement of 28 January 1967 to the effect only that there "could be talks" if the war acts ended.

The apparent modification in the North Vietnamese position may stem from a concern in Hanoi that its attitude had begun to appear overly rigid to sympathetic foreign observers. Trinh claimed that his statement was in part a response to US assertions that "it wants to talk with Hanoi and that Hanoi has not reciprocated."

The North Vietnamese probably also believe that their statement will increase international pressures on the US for a cessation of the air attacks. An end to the attacks has long been a primary objective of Hanoi, one which it has sought to achieve without making any significant substantive concession on a settlement of the war.

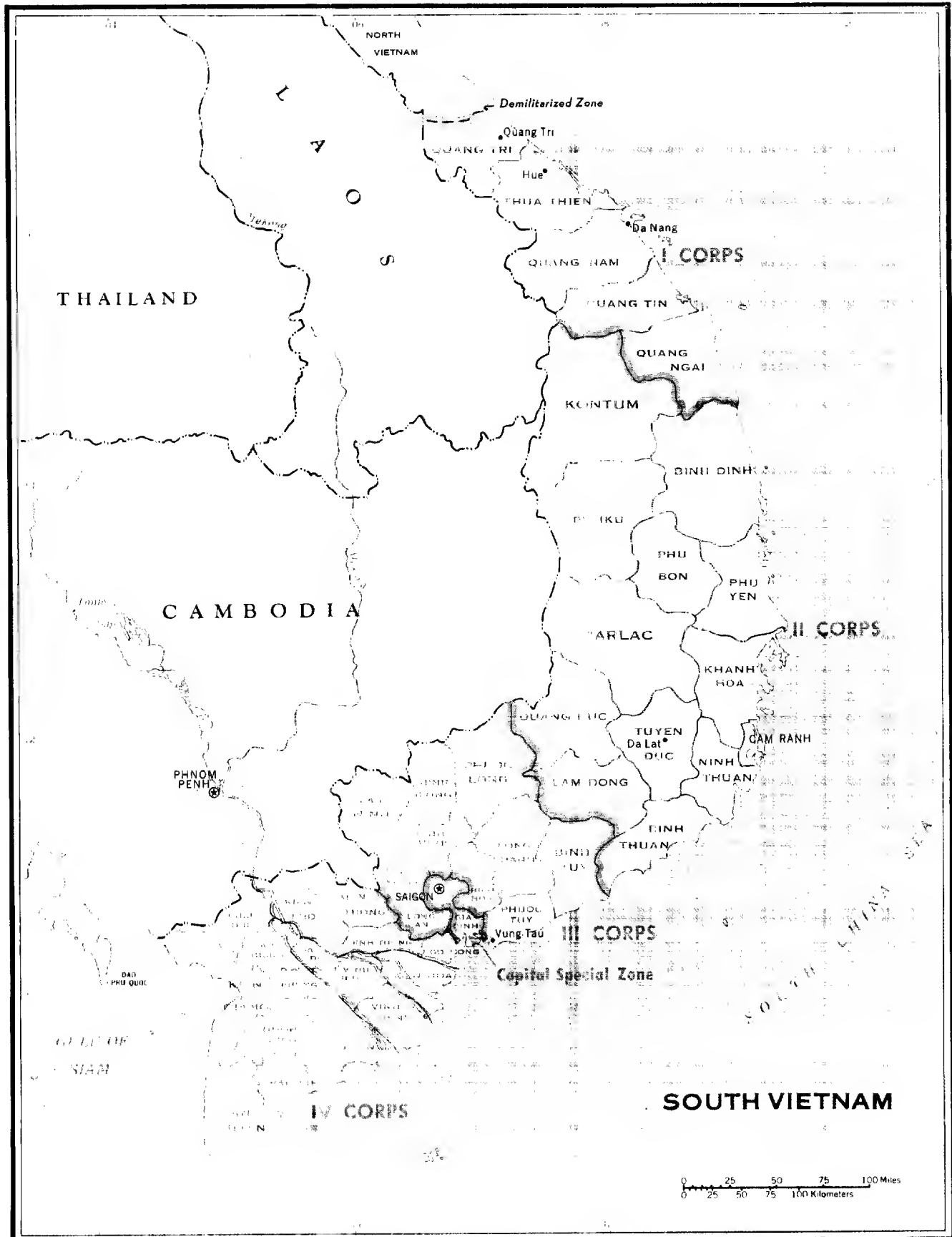
The foreign minister avoided spelling out the timing or content of any talks, but indicated that the basis for solving the Vietnam problem remained Hanoi's four points and the program of the Liberation Front.

South Vietnam: Allied military operations have resumed following the New Year's cease-fire.

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During the allied standdown, which was extended to 36 hours, 170 truce violations were initiated by the Communists. Of these, 63 involved casualties and consequently were classified as major violations. Allied losses during the one-and-a-half-day respite were 66 killed (27 US) and 273 wounded (191 US). Enemy losses were reported as 465 killed as the result of friendly reactions.

Two major incidents occurred on 1 January. Elements of two Viet Cong battalions shelled and attempted to overrun a South Vietnamese garrison in the delta. Sixty enemy troops, reportedly including a battalion commander, were killed. Allied losses for the battle were 19 killed and 48 wounded. Some twenty miles northeast of Tay Ninh City, a brigade of the 25th US Division came under heavy ground and mortar attack. The enemy broke contact after six hours. Initial results show 26 US personnel killed and 111 wounded, with 326 of the enemy killed and 5 detained.

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Cambodia: Sihanouk has confirmed his intention to remain passive in the event of American border violations in isolated sectors of his country.

He told a Phnom Penh press conference on 31 December that he "could not fight" US transgressions that were not quickly detected by Cambodia. He stated that his response to incidents which developed from such violations would consist mainly of diplomatic protests condemning both the Communists and the Americans.

At the same time, Sihanouk reaffirmed his intention to offer active military opposition to any "hot pursuit" operations in populated sectors of Cambodia. He stated that he would "send forces immediately" in an attempt to "repel" allied units.

Sihanouk's current position on the "hot pursuit" issue seems mainly designed to give him some flexibility in responding to US military probes. Should he choose to ignore a border violation, he can defend against possible domestic criticism by alleging that Cambodian interests had not been jeopardized in the action.

It is clear, nonetheless, that Sihanouk hopes to stall any firm decision by the allies to initiate "hot pursuit" operations. In his press conference, he again stated his willingness to receive an American "envoy" directly for talks on the issue. He probably feels that the allies would not authorize any operations in Cambodia pending the outcome of such talks.

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Dahomey: [The French ambassador in Cotonou informed chief of state Alley on 30 December that France would cease all direct budgetary support to Dahomey on 1 January. The new Cotonou government, dominated by the young officers who ousted General Soglo last December, had been counting heavily on emergency French support. This was promised Soglo during his trip to Paris last November as an addition to the scheduled 1968 subsidy. Government leaders admit that the treasury will be empty within a few days. Loss of financial support could create new unrest in Dahomey and perhaps eventually lead to a general breakdown of law and order.]

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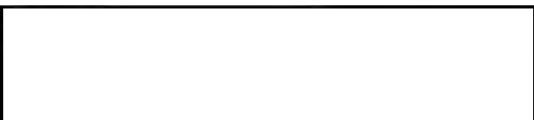
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